

K2 Global High Alpha Fund

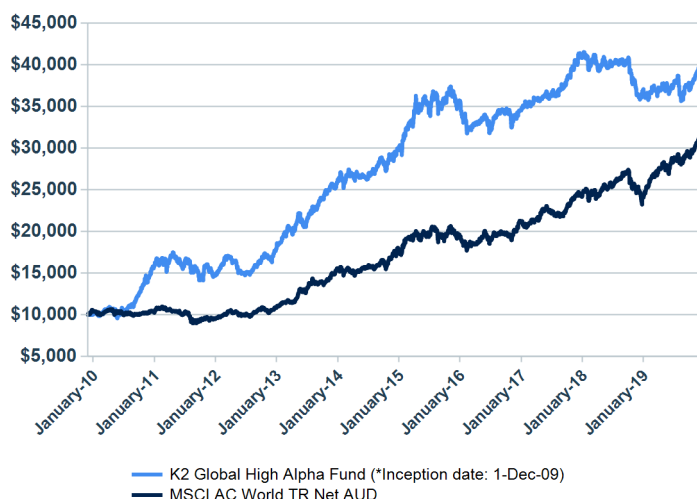
30 November 2019



The K2 Global High Alpha Fund is an Absolute Return equities fund. The fund is index-unaware, aiming to produce positive absolute returns over the long term with a capital preservation mindset. The Fund's mandate allows it to actively manage its net market exposure – utilising both cash and shorts to help protect clients' capital.

	1 Month	3 Months	1 Year	3 Years (%pa)	5 Years (%pa)	10 Years (%pa)	Inception (%pa)	Inception Date
Performance (Net of Fees)	3.4%	7.3%	8.5%	5.1%	6.4%	14.7%	14.7%	1-Dec-2009
Average Net Exposure	83.9%	83.2%	65.1%	74.4%	78.5%	81.1%	81.0%	

Growth of \$10,000



Commentary

The K2 Global High Alpha Fund returned 3.4% for November.

Global equity markets continued to post strong gains driven by the US, which were made despite continued struggles for the US and China to reach a phase 1 trade deal. Investors were more buoyed by receding fears of an economic recession as a recovery in global manufacturing surveys and easier monetary policies continue to point to better growth ahead in 2020. The latest reading on China's manufacturing sector for November showed the PMI index expanding for the first time in 7 months, signalling a recovery in activity. Global PMI's for November also expanded and have now risen for four consecutive months; the best run since December 2017. All eyes will now be on 15 December as markets await the Trump administration's decision on whether to impose an additional tranche of tariffs on the remaining Chinese imports or as we suspect, delay them into 2020 post the holiday spending season.

Strong contributors to Fund performance included NZ listed retirement and aged care living companies Metlifecare (+21%) and Summerset Group (+17%). Metlifecare is one of NZ's largest providers of healthcare services for the elderly. K2 has been attracted to the ageing demographics of the NZ population with those aged over 75 forecasted to double by 2035. Short-term conditions had seen Metlifecare trade on historically low earnings multiples and at a significant discount to book value. The company announced on November 20th that they had received a "non-binding preliminary expression of interest from a credible third party to acquire the company." We believe the company remains undervalued and based on a history of the average control premium for successful takeovers in NZ considerable further upside remains.

The AUD decreased -1.8% versus the USD with the Fund currently 94% hedged to the AUD providing capital protection against a rising AUD. Net exposure increased to 87%.

Top 5 Stock Holdings	Current	Monthly Move
Seven Group Holdings Ltd	3.5%	-0.1%
Money3 Corp Ltd	3.3%	+0.0%
Kina Securities Ltd	3.2%	-0.1%
Metlifecare Ltd	3.2%	+0.4%
Austral Ltd	3.1%	+0.0%

Month End Exposures	Current	Monthly Move
Communication Services	1.8%	-0.1%
Consumer	16.9%	+2.5%
Energy	3.0%	-0.3%
Financials	25.6%	+1.0%
Health Care	13.8%	+0.9%
Industrials	11.6%	+0.1%
Information Technology	9.4%	-0.2%
Materials	3.5%	+1.0%
Other	2.0%	-0.2%
Real Estate	3.7%	+0.2%
SHORTS	-4.1%	-1.8%
Number of Positions	66	+6
Gross Equity Exposure	95.4%	+6.7%
Cash Weighting	12.9%	-3.2%
Net Equity Exposure	87.1%	+3.2%
Currency Exposure Hedged of AUD	93.5%	-2.1%

Fund Characteristics

FUM	AUD \$44m
Portfolio Managers	Campbell Neal, David Poppenbeek, Josh Kitchen and Tony Sutton
Strategy	International Equities
Objectives	To deliver consistent absolute returns over the investment cycle with a focus on capital protection during periods of market declines
Return Target	+10% pa over the long term
Number of Stocks	Up to 120
Cash	Up to 100% of portfolio
Distributions	Annually
Management Fee	2.05%
Buy/Sell	Monthly Application/Redemption
Performance Fee	20.5% of the amount by which the NAV per unit exceeds the High Water Mark

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K2 Global High Alpha Fund Net Monthly Returns in AUD

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD	Fin YTD Index (1)	Average Cash	Average Short	
2009/10						0.8	-1.3	3.5	4.6	-0.3	-5.4	1.8	3.4	0.2	33.7%	-0.3%	
2010/11	5.3	1.4	13.2	9.0	5.9	10.2	0.8	2.0	0.7	3.4	-1.7	-3.1	56.6	2.7	9.6%	-0.8%	
2011/12	1.0	-3.1	-8.6	8.9	-3.3	-3.5	6.2	7.9	0.0	-2.5	-7.3	-2.3	-8.0	-2.3	29.0%	-0.7%	
2012/13	1.5	4.5	4.0	3.5	-1.0	6.9	4.9	4.4	2.2	4.4	1.8	-0.8	42.7	30.5	13.9%	-0.4%	
2013/14	4.9	2.2	4.7	4.3	3.2	1.6	0.3	2.4	-0.6	0.1	0.2	-1.7	23.7	19.2	8.0%	0.0%	
2014/15	4.6	1.6	1.6	1.1	1.2	3.3	4.8	4.5	2.4	3.2	3.7	-3.5	31.9	23.7	9.2%	-0.1%	
2015/16	4.5	-2.4	0.7	3.1	-1.9	-1.0	-4.7	-4.7	1.6	0.8	2.1	-4.1	-6.4	-0.6	18.1%	-0.5%	
2016/17	3.8	2.2	-0.1	-1.9	0.6	1.5	2.2	-0.8	2.6	0.0	1.9	-0.9	11.8	15.3	19.7%	-2.4%	
2017/18	0.1	3.7	1.4	3.6	1.8	1.2	-0.4	-0.2	-1.3	0.2	-0.7	0.6	10.4	15.0	16.4%	-3.0%	
2018/19	0.6	0.5	-0.3	-4.9	-5.3	1.6	-3.3	3.8	-1.2	2.7	-1.8	1.3	-6.6	11.3	38.3%	-6.2%	
2019/20	2.0	-3.5	2.8	0.9	3.4								5.5	9.2	18.2%	-2.3%	
													Incept	294.9	209.8		
													Incept	14.7%pa	12.0%pa	19.5%	-1.5%

(1) MSCI AC World TR Net AUD

DISCLAIMER: Returns are shown after fees (including performance fees) and expenses have been deducted and assume the reinvestment of income distributions. Please note that past performance is not a reliable indicator of future performance. The information contained in this document is produced by K2 Asset Management Ltd ("K2") in good faith, but does not constitute any representation or offer by K2. It is subject to change without notice, and is intended as general information only and is not complete or definitive. K2 does not accept any responsibility, and disclaims any liability whatsoever for loss caused to any party by reliance on the information in this document. A product disclosure statement for general information on any Fund referred to in this document can be obtained at www.k2am.com.au or by contacting K2. You should read the product disclosure statement and consider whether the product is appropriate for you before making a decision to acquire or continue to hold an interest in a Fund. Fees referred to in this document are inclusive of GST and RITC and do not include expense recoveries.